

Taking back medicine in Hawaii

Docs partner with company to buy hospital on Oahu

Under the clarion call of taking back control of hospitals from lay administrators and improving quality, a group of 130 doctors in Hawaii and a small physician-owned hospital company in Kansas have acquired St. Francis Medical Center for \$46.5 million.

Renamed Hawaii Medical Center, the two-campus institution is the first for-profit, doctor-owned hospital on the island of Oahu. It includes the aging 240-bed Hawaii Medical Center East in downtown Honolulu and the modern 102-bed Hawaii Medical Center West in nearby Ewa Beach.

"When the doctors on the staff at the old St. Francis hospital found out it was up for sale (in early 2005), six or so were very concerned and wanted to make sure it survived. They said, 'Why don't we buy it?'" said Danelo Canete, Hawaii Medical Center's chief executive officer. Canete also heads Hawaii Physician Group, an organization of 130 local physicians on the

medical staff who invested in the hospital.

The physician group partnered with Wichita, Kan.-based Cardiovascular Hospitals of America, also known as CHA, to purchase the hospital from the Sisters of St. Francis, a New York-based Roman Catholic order that sponsored the hospital for 80 years. The deal closed Jan. 14. CHA also operates two specialty hospitals and a general hospital, each with fewer than 100 beds. The company is also purchasing hospitals in California, Indiana, Kansas, Louisiana, Jamaica and the Philippines.

"This hospital fits the CHA model to partner with physicians and return it to the rightful hands of physician control," said Badr Idbeis, the company's president and CEO.

Local physicians, each contributing \$50,000 to \$1 million, own a combined 49%

interest in the hospital; CHA controls 51%. Competing providers on the island also sought to purchase St. Francis, including Kaiser Permanente, 450-bed Queen's Medical Center, Honolulu, and four-hospital Hawaii Pacific Health, Canete said.

But the organizations backed off after the Sisters of St. Francis required that both hospitals remain open and insisted that certain medical procedures, including abortions and in-vitro fertilization, be banned.

But turning around the hospitals will not be easy. Financial problems for the hospital started in 2001, when it lost \$28 million. In 2003, a nursing strike further crippled the hospital, Canete said.

To propel the turnaround, Idbeis said the hospital plans to spend \$32 million over five years to renovate the facilities and purchase high-tech medical equipment.

Two major operational changes also are in the works. First, Hawaii Medical Center plans to shift the

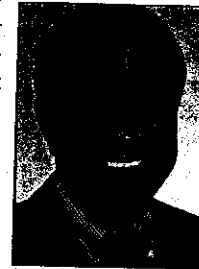
patient-to-nurse ratio to 4-to-1 from the current 7-to-1, Canete said. Second, CHA's flat management style calls for the elimination of all middle managers.

"We laid off all middle managers," Canete said. "We have a strong RN ratio, and because of that, other duties had to be eliminated."

Canete, who is a practicing cardiologist, will rely heavily on four senior managers at each campus for operational oversight, including a chief operating officer and chief nursing officer. "My job as CEO is part-time. In our model, we have doctors run each hospital, a chief medical officer and chief surgical officer, who also are practicing doctors. They watch length of stays, quality indicators and utilization," he said.

"We have told our doctors our expectations and they know our goal is to provide the highest quality care," said Idbeis, a cardiothoracic surgeon. "Physician ownership will create a feeling of responsibility that will improve performance. If we do it the right way, we will be rewarded financially." <<

Jay Greene is a former Modern Healthcare reporter and now a freelance healthcare writer based in St. Paul, Minn. Contact Greene at jaywriter@comcast.net.



Canete: With a strong nurse ratio, fewer managers are needed.



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